March/April 2021

The Legacy Ledger

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"Spring is the time of plans and projects."

This quote by Leo Tolstoy rings true for many of us. As we emerge from our winter hibernation, springtime brings a feeling of newness, of getting things done, of planning and organizing. We wash windows, trim hedges, apply fresh coats of paint. Doesn't it feel good to tidy things up? But don't forget to tidy up your financial records as well. It's easy to 'set it and forget it' when it comes to filing documents. We're all guilty of thinking we'll get to it later, but putting off filing your important financial documents could mean a huge headache for others if anything unexpected were to happen to you. So why not set aside one of our rainy spring days to do a little spring cleaning of your financial records? Not sure where to begin? Here's some tips that may help get you started!

Six Tips for Organizing Your Records

- Elaine Floyd, CFP®, Horsesmouth, LLC

If you got hit by a bus tomorrow, would your loved ones know how to access your important records? Would they know which accounts you hold and where your money is? What about insurance policies? Real estate ownership papers? You may have your records organized in a way that works for you, but imagine what your loved ones would face if you weren't around to show them where everything is. This is why an important part of legacy planning is organizing your files so the people closest to you can access them.

#1. Make room

To start, you'll need a place to put all your papers. Technically, a shoebox qualifies. But to keep your records organized so your loved ones can access what they need, you'll want some kind of filing system. Buy a set of file folders and dedicate a drawer or filing cabinet to hold everything. If you prefer digital records, set up a similar filing system on your computer. Make sure your loved ones know how to get into your computer and have the passwords for your key accounts.

#2. Gather documents

If your documents are scattered in different places, bring them all together in one place.

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#3. Set up your files

Give each file folder a name corresponding to a category of documents. Examples are:

- Unpaid Bills
- Credit Card Statements
- Receipts for items purchased
- XYZ Bank Account Statements
- ABC Brokerage Account Statements
- IRA Statements
- Life Insurance Policies
- House Records
- Health Records
- Automobile Records
- Tax Returns

Create as many categories as you need. Add subcategories if you wish. For example, if you make substantial improvements to your home, you might keep those receipts in a separate file so you can adjust your cost basis when you sell.

#4. Decide how long you need to keep each document

If you've been living without a good filing system, you may be keeping every piece of paper that comes in, for fear you might throw away something important. After doing this for a few (or a lot of) years, you are living with the consequences: too many papers! The day of reckoning is now at hand: Start going through your documents and figure out what you need to keep and what you can (really!) throw away.

Allocate sections of your file drawer to short-term files and long-term files. Short-term files are for the current calendar year and will hold such items as unpaid bills, paid bills, bank statements, credit card statements, and receipts for items purchased during the year. At the end of the year you can toss some of these papers, such as utility statements and receipts for items that: 1) you know you will not be returning to the store; 2) are not tax-deductible; and 3) are not associated with a warranty or major home improvement.

The papers you are keeping, such as bank statements, credit card statements, and receipts for home improvements, will be transferred to your long-term files. This will leave all the short-term file folders empty for bills and statements arriving during the coming year.

Your long-term files should be kept in a fireproof safe or filing cabinet, preferably a portable one that you can grab in case of disaster or emergency.

The following documents will go into your long-term files:

- Bank statements (keep for seven years)
- Credit card statements (keep for seven years)
- Receipts for home improvements (keep as long as you own the home)
- Receipts for major purchases (keep for the warranty period)
- Operating instructions for major purchases (keep as long as you own the item)
- Investment account statements (if year-end statements have all the tax information, these are the only ones you need to keep)
- Retirement account statements
- House papers: titles, deeds, mortgage documents
- Automobile records (keep for as long as you own the car)
- Insurance policies (keep current ones; toss the ones no longer in force)
- Estate planning documents (will, trust, power of attorney, health care directive, prepaid burial papers)
- Copies of tax returns

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#5. File your documents

Once your folders are all set up, it will be simple matter of putting each document where it belongs. If you encounter a document that doesn't quite fit in any of your existing categories, create a new file folder. Keep doing this as much as you need to. It doesn't hurt to have too many folders, especially if it will help your loved ones better understand what you have.

#6. Stay on top of it

Once you have a manageable system in place, it will be easy to stay on top of it. When a bill comes in, put it in the Unpaid Bills folder. After you pay your bills, put the statements in the appropriate Bills Paid folder. When bank and investment account statements come in, put them in the appropriate folder.

At the end of the year, empty the short-term folders. Pull out the documents you'll need for tax filing and set them aside. Transfer account statements to the long-term section, along with receipts for major purchases and other items that may have landed in the short-term section but that you want to keep. Receipts and statements that have outlived their purpose (i.e., are not needed for taxes) can be thrown away.

An up-to-date, well organized filing system is a gift to yourself. No longer will you have to search for a particular document when you need it because everything will be immediately at hand. It is also a gift to your loved ones, who will be grateful to have quick and easy access to your records if the need ever arises.

Elaine Floyd, CFP®, is the Director of Retirement and Life Planning at Horsesmouth, LLC., where she focuses on helping people understand the practical and technical aspects of retirement income planning.

Milestones

Congratulations to long-time LFP clients Graham & Joann White who recently celebrated their 50th wedding anniversary! Here's to many more years of happiness together!

Congratulations to Dr. Phil Corrao on his recent retirement after 30 years of family practice! Enjoy and best wishes!

Are you retiring? Have a new grandbaby? Celebrating an anniversary? We'd love to hear about *your* milestones! Email **Martha@legacyfp.com** so we can celebrate with you!

Legacy Lingo: Terms to Learn

Inflation: A general increase in prices over time. It reduces the purchasing power of money.

Deflation: The general reduction in the price level (a negative rate of inflation), often associated with very weak economic conditions.

Reflation: A policy designed to stimulate the economy, particularly after economic uncertainty such as the pandemic.

Are you 65 or older and a New York State resident?
Do you have your EPIC card?

David Korody
Healthcare Professional, LFP
Branch Associate, RJFS

The Elderly Pharmaceutical Insurance Coverage (EPIC) program is a New York State program for seniors administered by the Department of Health. It helps more than 330,000 income-eligible seniors aged 65 and older to supplement their out-of-pocket Medicare Part D drug plan costs. Seniors can apply for EPIC **at any time of the year** and must be enrolled or eligible to be enrolled in a Medicare Part D drug plan to receive EPIC benefits and maintain coverage.

EPIC provides secondary coverage for Medicare Part D and EPIC-covered drugs purchased after any Medicare Part D deductible is met. EPIC also covers approved Part D-excluded drugs once a member is enrolled in Part D.

EPIC helps pay the Medicare Part D drug plan premiums for members with income up to $23,000 if single or $29,000 if married. Higher income members are required to pay their own Part D premiums but EPIC provides premium assistance by lowering their EPIC deductible.

EPIC has two plans based on income. The Fee Plan is for members with income up to $20,000 if single or $26,000 if married. The Deductible Plan is for members with incomes ranging from $20,001 to $75,000 if single or $26,001 to $100,000 if married.

The program is easy to join - just complete the application and mail or fax it to EPIC. No documentation is required. EPIC verifies information with the Social Security Administration and the New York State Department of Taxation and Finance.

Don't miss out on this great program for seniors from NY State.

Call our Healthcare Specialist, Dave Korody, at (585) 241-5250 to get started today or click the link below to get your application now.
https://www.health.ny.gov/forms/doh-5080.pdf

An Excerpt from

The Inflation Outlook: What, Me Worry?

For a variety of reasons, investors are worried about higher inflation. Some may remember the Great Inflation of the 1970s and early 1980s. Some fret over the sharp rise in commodity prices; others are concerned about the end result of aggressive monetary and fiscal policy. However, while we may see reflation – a pickup in prices that were restrained due to the pandemic – a lasting period of substantially higher inflation appears unlikely.

MEASURES OF INFLATION

The Consumer Price Index (CPI) measures the cost of a basket of goods and services over time. The basket represents what a typical consumer would purchase, and will change periodically as new products and services are introduced. One's own personal inflation experience will vary. If you consume a lot of healthcare and are putting your kids through college, chances are you'll face a higher inflation rate.

The Personal Consumption Expenditures Price Index (PCE Price Index), the Federal Reserve's chief inflation gauge, is similar to the CPI, but has slightly different weightings and scope. For example, in healthcare services, the CPI only measures out-of-pocket expenses, while the PCE Price Index covers all costs, including those paid by health insurance or government programs. Economists often exclude food and energy prices, not because they don't matter, but because these prices are volatile and we are interested in the underlying trend. Sharp increases in commodity prices get a lot of attention. However, as former Fed Chair Ben Bernanke noted, "the direct effects of commodity price inflation on consumer inflation are empirically minuscule, both because raw material costs are a small portion of total cost and because part of any increase in the cost of materials tends to be absorbed in the margins of final goods producers and distributors." According to Bernanke, "a reasonable rule of thumb is that a permanent ten percent increase in raw material prices will lead to less than a 0.1 percent increase in consumer prices." Moreover, non-energy services, which are driven more by labor costs and rent, account for about 60% of the CPI and about 75% of the core CPI.

POTENTIAL SOURCES OF INFLATION

Money supply measures surged in the pandemic. However, the relationship between the monetary aggregates (M1, M2, etc.[1]), growth, and inflation broke down in the late 1980s. The velocity, or turnover, of money in the economy has slowed. The surge in liquidity during the pandemic helped relieve financial strains, supported growth, and lifted asset prices, but has not boosted inflation. Large federal budget deficits DO NOT cause higher inflation. In the 1980s, the US ran deficits on the order of 5% of gross domestic product (GDP), while inflation fell. The Japanese government has a debt-to-GDP ratio of over 235%, yet continues to battle deflation (a general decline in the price level).

The pandemic has disrupted supply chains; lengthening supplier delivery times and raising input costs, but these pressures should recede as vaccines are distributed and supply chains recover. However, while prices of industrial supplies and raw materials have increased, US firms continue to face difficulties in passing higher costs along and there is little inflation in imported finished goods. The US trade deficit widened during the pandemic, putting some downward pressure on the exchange rate of the dollar (if not offset by increased capital inflows) and upward pressure on commodity prices. However, the growth outlook for the US is stronger than other advanced economies, which should help to support the greenback.

With a limited ability to spend during the pandemic, household savings have increased. As the service side of the economy rebounds, strong demand could lead to higher prices for travel and hotels. However, there are plenty of empty hotel rooms and idle airplanes sitting on runways in the desert.

With strong demand for housing and continued supply constraints among builders, home prices have jumped in the pandemic. However, the price of a home does not factor into the CPI. The Bureau of Labor Statistics measures the service that a home provides, not its asset value — and so considers Homeowners' Equivalent Rent (which accounts for 24% of the overall CPI). Rents have risen more slowly during the pandemic.

1 M1 and M2 are measurements of the United States money supply, known as the money aggregates. M1 includes money in circulation plus checkable deposits in banks. M2 includes M1 plus savings deposits (less than $100,000) and money market mutual funds.

To read the full article, go to https://www.legacyfp.com/resources/market-commentary Investment Strategy Quarterly April 2021.

Introducing our new client service associate, Hannah Trumbull. Hannah joined Legacy in January after graduating from Monroe Community College. She is currently working part-time answering our phones, scheduling appointments, sending out review reminders and basically being our go-to girl for the office's admin needs. Her smile brightens up the office, and we're so happy to have her aboard. If the last name seems familiar, it should! Hannah is Martha's daughter and she is thrilled that Hannah is now a part of the Legacy Family!

Social Security & You

Can a Divorced Person Collect SS From an Ex?

Yes, you may be eligible for benefits based on your ex-spouse's work record

By Adam Barone
https://www.investopedia.com/ask/answers/081815/can-divorced-woman-collect-social-security-her-exhusband.asp
Updated March 26, 2021

If you are divorced, you may be eligible to collect Social Security benefits based on the earnings of your ex-spouse. This article explains how to qualify for those benefits and how much you can expect to receive from Social Security.

Divorced Spouse Social Security Eligibility

To collect Social Security benefits based on a former spouse's earnings record, a divorced spouse must meet these requirements:

- You must have been married to that spouse for 10 years or more.
- You must be at least age 62.
- You cannot currently be married.

As a former spouse, you must be entitled to receive Social Security retirement or disability benefits at the time the former spouse applies (whether or not the former spouse has actually started collecting benefits).

You can receive benefits on an ex-spouse's record if you have been divorced for at least two continuous years and the ex-spouse has not applied for retirement benefits but can qualify for them.

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If you are eligible for retirement benefits on your own record, the Social Security Administration (SSA) will pay that amount first. If the benefit on your ex-spouse's record is higher, you will get an additional amount so that the combination of benefits equals that higher amount.

If you were born before January 2, 1954, and have already reached full retirement age, you can choose to receive only the divorced spouse's benefit and delay receiving your own retirement benefit until a later date. If your birthday is January 2, 1954, or later, the option to take only one benefit at full retirement age no longer exists. If you file for one benefit, you will be effectively filing for all retirement or spousal benefits.

If you continue to work while receiving benefits, the same earnings limits apply to you and your ex-spouse. If you are eligible for benefits this year and also working, you can use our retirement earnings test calculator to see how your earnings would affect those benefit payments.

In general, a divorced spouse is entitled to a Social Security benefit that's equivalent to 50% of the ex-spouse's retirement benefit even if the ex-spouse has remarried. If the spouse is deceased, the former partner may be eligible for a survivor's benefit of up to 100% of that amount. In either case, the divorced spouse must have reached full retirement age in order to receive the full (50% or 100%) benefit. If the person files before reaching retirement age, the benefit will be permanently reduced. (This is true, by the way, for anyone applying for the Social Security old-age benefit. You can file as early as age 62, but the benefit amount will be set at a lower amount.)

If the divorced spouse was married and divorced more than once, and each marriage lasted the required 10 years, that person is entitled to the higher of the two benefits, but not both.45

Even if the former spouse remarries and the new spouse is collecting Social Security benefits based on that person's employment record, the ex-partner can also collect based on that record.

If you remarry while receiving benefits based on your ex-spouse entitlement, and that person is still alive, you will no longer be eligible for those benefits.

When Your Ex Isn't Collecting Benefits Yet

If your ex has not yet applied for retirement benefits but can qualify for them, you can receive benefits based on the ex-spouse's earnings record, provided you meet the other requirements and have been divorced for at least two years.

Questions? We have answers!

If you have questions about Social Security, contact our office today to speak with one of our experienced and knowledgeable advisors who can help ensure you're making the most of your benefits.

Did you hear about the guy whose wife left him for a tractor salesman?

She sent him a John Deere letter!

Save The Date!

Managing Healthcare Expenses in Retirement

Tuesday May 11, 6:00 - 7:30 pm

Tuesday June 15, 6:00 - 7:30 pm

Perinton Rec Center
130 Turk Hill Road Fairport, NY

Healthcare Specialist, David Korody, will present this information-packed presentation on how to plan for one of the largest expenses in retirement - healthcare. David will be discussing what you can do to obtain the coverage you need and how to protect against healthcare's rising costs.

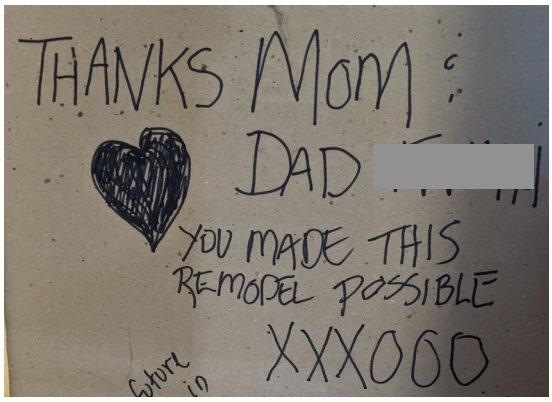
To register contact the Perinton Recreation Center at (585) 223-5050.

This workshop is purely educational - no specific insurance or investment products will be discussed.

Your Referral is our Best Compliment!

Refer a friend, colleague, family member, or anyone you know who could use professional financial help.

As our way of saying 'Thank You,' you'll receive a beautiful Tiffany wine glass!



A Sweet Tribute

Recently one of our dear, longtime clients passed away. While helping the daughters with processing the beneficiary claims, one of the daughters said she would be using the money to remodel her kitchen. She decided to leave a tribute to her parents thanking them for making the remodel possible. She left this sweet message on the drywall inside the walls. Won't it be a wonderful surprise for the next homeowner who remodels the kitchen!